

***United States Court of Appeals
for the Second Circuit***

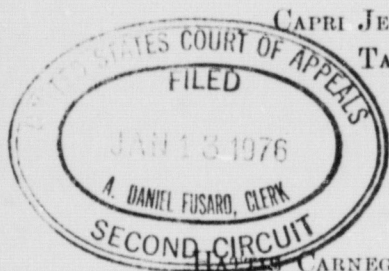


**APPELLANT'S
BRIEF**

75-7604

United States Court of Appeals

FOR THE SECOND CIRCUIT



CAPRI JEWELRY INCORPORATED and
TANCER & TWO, INC.,

Plaintiffs-Appellees,

v.

CARNEGIE JEWELRY ENTERPRISES, LTD.,

Defendant-Appellant,

and

BILL G. JAMES,

Defendant.

BRIEF FOR DEFENDANT-APPELLANT

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United States Court of Appeals

FOR THE SECOND CIRCUIT

Docket No. 75-7604

CAPRI JEWELRY INCORPORATED and
TANCER & TWO, INC.,

Plaintiffs-Appellees,

v.

HATTIE CARNEGIE JEWELRY ENTERPRISES, LTD.,

Defendant-Appellant,

and

BILL G. JAMES,

Defendant.

BRIEF FOR DEFENDANT-APPELLANT

The Issues Presented for Review

1. Did the District Court erroneously assume jurisdiction in deciding the issue of patent infringement in the absence of service of process upon the patentee-owner of U.S. Patent No. 3,802,945?

2. Did the District Court err in finding that plaintiffs' PERSONALITY and TATTLETALE rings did not infringe Claim 1 of U.S. Patent No. 3,802,945 by restricting the scope thereof to only one of the disclosed constructions in the patent and by denying the applicability of the

"doctrine of equivalents" solely because of a purported file wrapper estoppel?

3. Did the District Court err by personally participating in the proceedings and directing such expedition thereof as to result in a denial of due process to defendant Hattie Carnegie?

Statement of Case

This is an appeal from an order dated October 28, 1975, by Judge William C. Conner of the United States District Court for the Southern District of New York, which held that plaintiff Tancer & Two's THE PERSONALITY RING and plaintiff Capri Jewelry's TATTLETALE RING do not infringe United States Patent No. 3,802,945, and that defendant Hattie Carnegie would be permanently enjoined from representing that the patent is infringed by the aforesaid rings or other products of plaintiffs similarly constructed.

This action was brought by plaintiffs seeking a declaratory judgment of non-infringement and invalidity of James U.S. Patent No. 3,802,945; for unfair competition based upon alleged bad faith assertions as to the intended enforcement of patent rights and for alleged bad faith false patent marking. An immediate trial was directed by Judge Conner solely on the issue of patent infringement. An adverse decision was rendered before defendant Carnegie's 20 days to answer the Complaint had expired and without service of process upon defendant Bill G. James, the patentee-patent owner. The manner in which the "trial" on the infringement issue was conducted and its summary disposition are of critical importance in the ultimate resolution of the "bad faith" unfair competition and false marking

issues yet to be decided, jurisdiction over which has been retained by the Court.

Facts

Appreciation of the nature and significance of the foregoing issues requires a full explanation of the unique nature of the proceedings below, as well as a clear understanding of the nature and scope of the patent in suit. Further, it should be noted that the patented subject matter, e.g., heat sensitive, color changing rings, are in extensive commercial use and in all probability constitute the most widely merchandised novelty jewelry item of the last decade.

The Complaint herein was served on defendant Carnegie on Thursday morning, October 9, 1975. Carnegie's attorneys were concurrently served with a copy of the Complaint together with a letter from plaintiffs' counsel, advising that a hearing had been set for 2:00 P.M. that same afternoon in Judge Conner's chambers based upon plaintiffs' request for immediate discovery to facilitate the bringing of an early motion for summary judgment. At such hearing, Carnegie's attorney pointed out his lack of any requisite knowledge both as to the plaintiffs' novelty jewelry articles involved and as to the asserted factual basis for the existence of any case or controversy between Carnegie and the named plaintiffs. The hearing was then adjourned until 10:00 A.M. the following morning, i.e., Friday, October 10th, to permit defendant's counsel to consult with his client, Carnegie. Patentee-patent owner James is a resident of California, and was not then and never has been since served in this action.

At the Friday morning hearing, plaintiffs' attorney described the nature of his clients' rings and how they were made, and argued for immediate discovery as a nec-

essary prerequisite for a motion for summary judgment of non-infringement. Even before defendant was heard, the Court asserted, *sua sponte*, that summary judgment was not an appropriate remedy since it would not stand up on appeal, but that he would grant plaintiffs an immediate trial on the infringement issue in lieu thereof. (A. Vol. I, p. 21a). Over defendant Carnegie's objection that it was not then even aware of the nature of plaintiffs' products that were assertedly involved, the Court again, *sua sponte*, directed plaintiffs' attorney to immediately supply defendant's attorney with specimen jewelry articles. Concurrently therewith, and after being apprised that the patentee James was located in California and had not been served, the Court directed defendant Carnegie to state its position with respect to infringement or non-infringement of such specimen articles by Tuesday, October 14th (Ed.—October 13th was a holiday), at which time a trial date would be set.

Three sets of specimen rings were delivered to Carnegie's counsel at about 3:30 P.M. that Friday and defendant Carnegie was then faced with the herculean task of locating a laboratory or other facility that could determine the nature of the construction by structurally segmenting and photographing the relevant ring structures over a three day holiday weekend.

On Tuesday, October 14th, the Court was advised by defendant Carnegie that two of the three submitted ring specimens appeared to come within the scope of the patent and that the third did not. After ascertaining that defendant's trial counsel would not be available because of out of town commitments until October 22nd, the Court set Thursday, October 23rd as the date for an expedited trial on the issue of infringement or non-infringement of plaintiffs' two rings.

Immediately prior to trial, the Court called plaintiffs' counsel into chambers for a unilateral discussion of approximately ten minutes duration. Subsequently, the Court called Carnegie's counsel into chambers and stated the following:

- a) that he had read the patent and its Patent Office prosecution file (although no copies were submitted to the Court, to defendant's knowledge, prior to trial);
- b) that irrespective of whatever evidence that would be adduced by defendant, or arguments made, he was going to find non-infringement of the James patent;
- c) that if allegations made as to loss of business resulting from alleged threats to the trade were ultimately shown to be true, he would render a decision which would "curl" counsel's hair.

At trial, and after permitting plaintiffs to introduce testimony as to how their rings were made, the Court refused to hear Russell Pelton, Esq., a member of the bar and a highly qualified practitioner specializing in patent law, who was prepared to testify for defendant as to the coincident relation between the language of Patent Claim 1 and the structure and functioning of the specimen rings as shown by certain enlarged photographs and schematic drawings of plaintiffs' segmented rings bearing legends indicative of the chemical and physical nature of the components thereof (A. Vol. I, pp. 43a-44a).

At the conclusion of the trial, the Court first stated (A. Vol. I, p. 97a):

The Court: I have, A, a feeling that there is nothing you can tell me in the briefs that you haven't told me

or which isn't apparent from the circumstances and, B, that even a week's delay might cause the plaintiff some additional damage.

The Court then stated that Carnegie could have a week or ten days to file its brief. Plaintiffs objected and in the ensuing colloquy between plaintiffs' president Tancer, plaintiffs' counsel, and the Court (A. Vol. I, pp. 97a-100a), the Court acceded to plaintiffs' desires and markedly reduced Carnegie's time to file its brief. The Court then engaged in a further colloquy with Mr. Tancer, the president of plaintiff Tancer & Two: (A. Vol. I, p. 101a):

Mr. Tancer: Excuse me, your Honor, there is also one other thing, your Honor. You have to understand the timing here. We are hoping to get a resolution here so that next Friday that notice could appear in Women's Wear and save us a lot of problems in terms of getting the message across—

The Court: When do you have to get your copy to Women's Wear?

Mr. Tancer: Tuesday.

The Court: I will give you a decision by Tuesday.

The court then gave defendant Carnegie until 9:00 A.M. on Tuesday, October 28th, (Monday again being a holiday) to brief its position and then informed plaintiffs that they would have a decision by 5:00 P.M. on that same day (A. Vol. I, p. 101a). Defendant Carnegie's brief was hand delivered to the Court on Tuesday morning by trial counsel and a decision was duly rendered by 5:00 P.M. that day.

Plaintiffs' advertisement also duly appeared on Friday and a copy thereof is appended hereto as Exhibit G.

ARGUMENT

A. The District Court Lacked Jurisdiction to Decide the Infringement Issue

The Court below directed an immediate trial on the singular issue of infringement and subsequently held, prior to defendant's time to answer, that the James patent (U.S. Patent No. 3,802,945) was not infringed by the plaintiffs' PERSONALITY and TATTLETALE rings.

The Court found, *inter alia*, that defendant Bill G. James, the inventor named in the patent in question, had not been served with a summons and complaint (A. Vol. I, p. 22a).

Based upon the lack of service on patentee-patent owner James, defendant Hattie Carnegie objected to the jurisdiction of the District Court on at least two occasions, (A. Vol. I, pp. 45a-46a and p. 87a):

Mr. Amster: Is Mr. Isner advancing the argument there is no justiciable controversy?

The Court: He is admitting that. Aren't you?

Mr. Isner: No. In one sense there may be a case or controversy here, but remember the patentee has not been served in this case. That is a point I do want to preserve and I also want to preserve any position I might have with respect to due process, because of the expedited nature of the proceedings. I just want to state that formally for the record for the purposes of the record.

* * *

Again I would like to state just for the purposes of the record, Mr. James, the patentee and the holder of legal title has not been served in this action, and as

of the moment defendant has not had an opportunity to answer or otherwise move.

Defendant Mattie Carnegie, as a non-exclusive licensee under the James patent, cannot in the patentee's absence maintain a suit for patent infringement, nor can it properly defend a suit for a declaratory judgment of non-infringement. The patentee, as has long been recognized by this Court, is an indispensable party in such circumstances and must be joined in the action.

In *Sweetwater Rug Corp. v. J & C Bedspread Co., Inc.*, 198 F. Supp. 941 (SDNY 1961), *aff'd per curiam*, 299 F.2d 573 (2d Cir. 1962), an action for a declaratory judgment as to validity of a patent and for a declaration of non-infringement, the Court in granting defendant's motion to dismiss for failure to join an indispensable party, stated, (pp. 943, 944):

"A patent owner has a property right which ought not to be adjudicated in his absence."

* * *

If a patentee assigns his patent, title vests in the assignee; and title carries with it the right to sue infringers. But a transfer of rights short of an assignment is only a license whereby the licensee does not acquire title in the patent nor the right to sue in his own name for an infringement. *Waterman v. McKenzie*, 1891, 138 U.S. 252, 11 S.Ct. 334, 34 L. Ed. 923.

* * *

It [the licensee] may not defend a suit seeking a declaration as to validity of the patents in the absence of the patent owner. * * * *the patentee is an indispensable party to such an action.* His indispensability

is not diminished by the fact that he is the president and a major stockholder of the corporate-defendant.*

This Court in *Contracting Division, A.C. Horn Corp. v. New York Life Ins. Co.*, 113 F.2d 864 (1940), an action for patent infringement by a non-exclusive licensee, wherein the defendant counterclaimed for a finding of non-infringement, in affirming the lower court's decision granting plaintiff's motion to dismiss the Complaint and Counterclaim, stated, (p. 865):

When the suit was filed the plaintiff's interest in the patent was, and it still remains, merely that of a non-exclusive licensee. As such the plaintiff cannot maintain a suit of an infringement. *Western Electric Co. v. Patent Reproducer Corp.*, 2 Cir., 42 F.2d 116, 118. *Nor can appellant maintain its counterclaim without the presence of the patent owner.* Disputes between a bare licensee and an alleged infringer as to the validity or infringement of a patent owned by another present no "actual controversy" such as the Federal Declaratory Judgment Act, 28 U.S.C.A. §400 requires.

Thus, not only did the District Court below lack jurisdiction to render judgment on the infringement issue since the patent owner is an indispensable party herein, but it lacked jurisdiction under the Declaratory Judgment Act.

The rationale underlying the foregoing is that an adjudication of non-infringement in the absence of the patent owner denies him the fundamental right of protecting his property interests.¹

* Emphasis throughout ours unless otherwise noted.

¹ See, the recent case of *American Optical Co. v. Curtiss*, 59 F.R.D. 644 (SDNY 1973) wherein the Court, after noting that

B. The Holding of Non-Infringement Is Erroneous

Briefly stated, the Court below erroneously restricted the scope of Claim 1 to one of the specifically illustrated constructions (Findings 9, 19-21) (A. Vol. I, pp. 23a-24a; and pp. 30a-31a) and in conjunction therewith erroneously refused to apply the "doctrine of equivalents" (Finding 10, *et seq.*), (A. Vol. I, pp. 24a-34a).

The situation herein presented, where validity must be assumed and the relevant prior art comprises only the references considered by the Patent Office, is akin to that before this Court in *Royal Typewriter Co. v. Remington Rand*, 168 F.2d 691, 77 USPQ 517, (2d Cir. 1948) and wherein L. Hand C.J. set forth the relevant constructional criteria (168 F.2d at 692, 77 USPQ at 518):

Coming then to the question of infringement, we are first to interpret the claims in the light of disclosure; and both the claims and the disclosure in the setting of the prior art. *In these respects a patent is like any other legal instrument; but it is peculiar in this, that after all aids to interpretation have been exhausted, and the scope of the claims has been enlarged as far as the words can be stretched, on proper occasions courts make them cover more than their*

the owner of only one-third of a patent had not been joined in the action, held that he was an indispensable party and stated, (p. 650):

"The very basis of a patent is the right of the owner or assignee to exclude the entire world from use, except those to whom the owner or assignee grants a license, normally for a fee or royalty. If this Court were to allow the disposition of this case without Peters and if plaintiff were to win control of two-thirds ownership, the very basis of Peters' patent ownership would be undercut."

meaning will bear . . . at times they resort to the "doctrine of equivalents" to temper unsparing logic and prevent an infringer from stealing the benefit of the invention. No doubt, this is, strictly speaking, an anomaly; but it is one which courts have frankly faced and accepted almost from the beginning. All patents are entitled to its benefit to an extent, measured on the one hand by their contribution in the art, and on the other by the degree to which it is necessary to depart from the meaning to reach a just result.

Within the above legal framework, it is clear that patents should be liberally construed. (*Cool-Fin Elec. Corp. v. International Elec. R. Corp.*, 491 F.2d 660, 662 (9th Cir. 1974)).

As recently recognized by Judge Rubin in *Laitram Corp. v. DeepSouth Packing Co.*, 301 F. Supp. 1037, 162 USPQ 14, (E.D. La. 1969), *aff'd*, 443 F.2d 928, 170 USPQ 190 (5th Cir. 1971) at 301 F. Supp. at 1056, 162 USPQ at 23:

Patent "claims must be given the broadest interpretation of which they reasonably are susceptible". *Hydraulic Press Corp. v. Coe*, 1943, 77 U.S. App. D.C. 251, 134 F.2d 49, 56¹³ This is "well settled."

In *Musner Foundation v. Alba Trading Co.*, 150 F.2d 885, 889 (2d Cir. 1945), cited in *Laitram, supra*, (N. 13), this Court espoused the following rationale:

Were this not true, few patents could give any protection, for some departures from the precise disclosure are nearly always possible without losing the benefit of the invention.

(See *Ling-Temco-Vought, Inc. v. Kollsman Instrument Corp.*, 372 F.2d 263, 270 (2d Cir. 1967).

It is equally clear that a patentee is his own lexicographer and "... the terms of a claim should be taken in the sense given in the lexicon of the specification." *Jones v. Sykes Metal Lath & Roofing Co.*, 254 F. 91, 96 (6th Cir. 1918). See *Chicago Wooden Ware Co. v. Miller Ladder Co.*, 133 F. 541, 546 (7th Cir. 1904); *Kennicott Co. v. Holt Ice & Cold Storage Co.*, 230 F. 157, 160 (7th Cir. 1916). As recently stated in *United States v. Adams*, 383 U.S. 39, 49 (1966):

... it is fundamental that claims are to be construed in the light of the specifications and both are to be read with a view to ascertaining the invention, *Seymour v. Osborne*, 11 Wall. 516, 547 (1871); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211 (1940); *Schering Corp. v. Gilbert*, 153 F. 2d 428 (1946).

These controlling precepts were not followed by the Court below who limited the scope of the—"within the body"—terminology of claim 1 solely to the preform construction of Figures 2 and 3 of the patent (Findings 9, 22; cf. Findings 10-16) (A. Vol. I, pp. 23a-24a; p. 31a and pp. 24a-27a). Such action was not only in derogation of controlling law, but was also erroneous in fact.

1. *The Scope of Claim 1.*

The James patent relates to novelty jewelry devices such as rings, bracelets, pendants and the like "fabricated from transparent synthetic resinous materials in combination with crystalline liquids" (col. 1, lines 5-7, cf. Fig. 1) (A. Vol. II, Pls' Ex. 1, p. 4) with the latter being in the form of known "tiny encapsulated droplets" of a character to change color in accord with temperature.

The basic problem faced with respect to practical utilization of such encapsulated heat sensitive material and the

inventor's broad solution thereto is expressly defined in the patent as follows (col. 1, lines 32-41) (A. Vol. II, Pls' Ex. 1, p. 4):

Although each of the tiny droplets is itself encapsulated, it has been found through tests and experimentation that such encapsulated droplets are still subject to destruction by contact with various solvents, excessive heat, and physical abrasion. Accordingly, it is one of the principal objects of the present invention. . . . *to encapsulate a quantity of the encapsulated droplets by the formation of the end product itself.*

The basic inventive concept on which patentability is based was the providing of structural assemblies that permit body temperature induced color changes and a conjoint sealing of the encapsulated crystalline liquid material in an article of novelty jewelry. Such is clearly delineated (col. 1, line 62 to col. 2, line 5), (A. Vol. II, Pls' Ex. 1, p. 4):

In terms of broad inclusion, the invention comprises the further encapsulation of the encapsulated droplets of crystalline material *within a transparent body in such a way that* the individually encapsulated droplets of crystalline material will still be responsive to variations in temperature to effect iridescence thereof, and so that the iridescence so formed will be visible to the observer through a transparent body *which effectively seals the encapsulated droplets* of crystalline material from the ambient atmosphere while permitting transmission of light therethrough.

Within such broadly defined concept, involving disposition of the encapsulated material "within a transparent body" and effecting a sealing thereof, three basic construc-

tions were disclosed to satisfy the conjoint objectives. The first of these was the direct intermixture and ultimate dispersion of the capsules in subsequently setttable liquid resinous material (col. 3, line 51 et seq.), (A. Vol. II, Pls' Ex. 1, p. 5):

It is within the contemplation of this invention that such further encapsulation of encapsulated crystalline liquid droplets may . . . be carried out by the direct admixture of encapsulated droplets of crystalline liquid material with a liquid polyester, acrylic or other transparent resin in liquid form so that the encapsulated beads of crystalline liquid material are suspended within the liquid phase of the polyester, acrylic or other resin and dispersed throughout such transparent material.

The second specifically disclosed construction involves the use of preformed hollow transparent body members such as shown in Figures 2 and 3 (col. 3, lines 51-56), (A. Vol. II, Pls' Ex. 1, p. 5):

. . . such further encapsulation of encapsulated crystalline liquid droplets may take the form of a laminate in which the encapsulated crystalline liquid droplets are deposited within any preformed hollow transparent body. . . .

The third specifically disclosed construction involves the formation of a composite structure such as that shown in Fig. 4, wherein a transparent body member having a flat undersurface is associated with (col. 5, lines 36-43), (A. Vol. II, Pls' Ex. 1, p. 6):

. . . a peripheral sealing band 24 hermetically sealed by any appropriate means to the edge 26 of the panel 21, and cooperating with a sealing member 27 disposed

substantially parallel to the transparent panel and effective to confine the encapsulated droplets of crystalline liquid material in tight contiguous relationship to the surface 22 of the transparent panel.

The "peripheral sealing band 24" is also specifically described as a "seal flange 24" (col. 5, line 56 *et seq.*), (A. Vol. II, Pls' Ex. 1, p. 6):

In this regard, *the peripheral seal flange 24 may be transparent or non-transparent, may be metal or non-metal, but should be compatible in its thermal expansion and contraction characteristics with the panel 21 and seal member 27, to both of which it is secured. In a preferred method of fabrication, if the transparent panel is one of the transparent synthetic resins, such as polyester or acrylic resins, it is preferred that the seal flange 24 also be fabricated from one of these materials.*

On the matter of claim scope, the Court's attention is directed to the fact that *all* of the issued patent claims employ the terminology, in clauses (b) thereof:

a multiplicity of separately encapsulated droplets of a crystalline liquid encapsulated in turn within said transparent body. . . .

Such generic language was consistently employed by the applicant from the date of the filing of the original application. Original application Claim 1 read as follows:

As an article of manufacture, the combination comprising:

- a) a transparent body; and
- b) a multiplicity of separately encapsulated droplets of a crystalline liquid encapsulated in turn *within*

said transparent body, said droplets of separately encapsulated crystalline liquid iridescent when subjected to varying temperatures to display through said transparent body varying colors correlated to said varying temperatures.

This broad *two element* claim, the language of which is identical to sections 1a and 1b of Patent Claim 1, must as stated above, be read in the light of the specification and, as previously pointed out such language was expressly employed in the specification to and does generically cover all of the disclosed constructions including a) the intermixed dispersion of the encapsulated material in the resin; b) the use of a preform, such as shown in Figures 2 and 3; and c) the composite construction such as shown in Fig. 4 where the peripheral flange is formed of a separate element. The Court should also note the fact that Original application Claim 1 (which was rejected and relinquished) made no mention of the sealing concept.

Patent Claim 1, when properly construed in light of the specification, is clearly of a scope to include structures wherein the encapsulated material may either be disposed within a recess in a preformed stone or within a recess compositely formed by the stone surface and auxiliary peripheral flange forming means which also cooperate with secondary structure to effect the requisite sealing function.

More specifically, sections 1(a) and 1(b) of Patent Claim 1 are identical with the originally presented and generic application Claim 1. However, Patent Claim 1 is further qualified by clause 1(c) which reads:

... said transparent body being generally flat and having a peripheral flange defining a recess *within said body*, said multiplicity of separately encapsulated

droplets of crystalline liquid being deposited within said recess; and . . .

Although the foregoing language of clause (c) is certainly properly descriptive of the preform type structure illustrated in Figures 2 and 3 of the drawings *it is not limited thereto since by its terms:*

- a) it does not delineate any express characteristics of the flange—other than its “peripheral” location and as such clearly encompasses composite construction as illustrated in Figure 4;
- b) the clause “within said body” is duplication of the terms of clause (b) where, as previously pointed out, such language was generically and consistently defined in the specification and employed by the applicant from the date of the initial filing of the application in *all claims to cover all embodiments.*

Thus, read literally and in direct accord with the teachings and disclosures of the specification, Claim 1 only requires that, in an assembled “article of manufacture”, the “transparent body” have “a peripheral flange defining a recess” containing the “encapsulated droplets of crystalline liquid” in combination with “means for sealing” (clause 1(d)) such recess to preclude the exposure of the encapsulated droplets of crystalline liquid to destructive ambient factors, such as water.

2. Claim 1 Is Literally Infringed.

As evidenced by D's Exs. A, C, E & F (A. Vol. II, pp. 97-109) and as expressly found below, the *result* of plaintiffs' assembly process is that

The adhesive [sic. is spread] over the interface between the back of the stone and the floor of the bezel.

The excess adhesive is extruded into the space at the corners of the bezel." [Finding 17(d)(ii)] (A. Vol. I, p. 29a)

Such "annular bead of hardened adhesive" (which is a synthetic resinous material, as is the stone) taken with or without the adjacent upstanding wall of the metal bezel, is *integral* with and dependent from the stone periphery and is, both in fact and in function, "a peripheral flange defining a recess within said body" as this latter terminology was broadly employed in the specification. The resulting monolithic structure, if not exactly that of Figures 2 and 3 in fact, function and result is certainly a composite construction incorporating the inventive concepts of the construction of Figures 4 and 2 and 3 and is of such character as to clearly fall within the language of Claim 1 when the latter is properly construed in the light of the specification.

The crux of the Court's error below is clearly delineated by the second paragraph of Finding 21 as amended and which reads as follows: (A. Vol. I, p. 40a)

—I believe that the addition of this annular bead of hardened adhesive does not result in forming a "recess *within said body*" [the "transparent body" or stone], as the claims recite. And even if the bead of adhesive could be said to form such a recess, the fact that it is not present when the liquid crystal layer is applied to the flat back of the stone would mean that the crystalline liquid could still not be said to be "*deposited within said recess*" as the claims also recite.—

As pointed out above, the narrow construction of the "within the body" terminology set forth in Finding 21

and throughout the District Court's decision is in direct contravention of the true scope and meaning of such language as employed in the specification and constitutes fundamental error.

The Court's supporting rationale for such narrow construction is faulty and erroneous. This is illustrated by the Court's reasoning in Finding 21 to the effect that since the flange formed of the annular bead of hardened adhesive was not present when the liquid crystal layer was applied, it could not be said that such liquid was "deposited within such recess". The Court, by so finding, wrongfully introduced a *process limitation* into a *product claim*. Apart from the fact that such mode of assembly would be equally feasible for the Figure 4 construction, the *method of assembly is immaterial* since we are here concerned with a product claim which can only be infringed by the finished and assembled products of the plaintiff.² Such finished product clearly includes a "peripheral flange defining a recess", wherein the hardened adhesive resinous material forming such flange is integrally bonded to the stone periphery to form a monolithic structure that literally corresponds to the claim terminology. The reliance of the Court upon process considerations in construing a product claim and the further limitation thereof to the construction of the Figure 2 and 3 embodiments was, in the context of the proceedings below, manifest error.

3. *There Is No File Wrapper Estoppel That Precludes Application of the Doctrine of Equivalents to Claim 1.*

The Court below erroneously concluded that file wrapper estoppel precluded application of the "doctrine of equiv-

² See, *Buono v. Yankee Maid Dress Corp.*, 77 F.2d 274, 279 (2d Cir. 1935).

alents" to Claim 1. (Findings 22, 25), (A. Vol. I, p. 31a and pp. 33a-34).

Defendant Carnegie does not dispute the controlling law but only its applicability in the present case. There not only does not exist a "classic case of file wrapper estoppel" (cf. Finding 23) (A. Vol. I, pp. 31a-33a) but, in fact and law, no estoppel exists at all as to Claim 1.

In the recent case of *Moore Business Forms, Inc. v. Minnesota Mining and Mfg. Co.*, 521 F.2d 1178, 187 USPQ 8 (2d Cir. 1975), this Court stated: (521 F.2d at p. 1184, 187 USPQ at p. 12)

In determining whether an estoppel applies, the court must consider whether an applicant abandoned or disclaimed coverage of certain processes or products in the course of securing its patent. Of primary importance in such a case are the original claims made by the applicant, the reasons given by the examiner for rejecting such claims, and the narrowing amendments made by the applicant in an attempt to secure approval of the patent. See, e.g. *Graham v. John Deere Co.*, 383 U.S. 1, 33, 148 USPQ 459 (1966). In the present case, the term free-flowing powder was not added by amendment to narrow claim 8, but was contained in the initial Macaulay claim relating to producing microcapsules by chemical condensation, as well as in all the original Macaulay process claims. Thus we do not have a situation where an initial claim relating to chemical condensation, but not including the filtering and drying steps, was initially made by Moore, rejected by the patent examiner, and then narrowed by adding the filtering and drying steps.

In the case at bar we also "do not have a situation where an initial claim . . . was . . . rejected by the patent

examiner, and then narrowed. . . .", but rather have the situation where one of the originally presented claims was issued without any substantive amendment, narrowing or other limitation as can be seen from the discussion below.

The original application for the James patent included 13 claims, of which only Claim 1 was in independent form. This claim was of generic breadth and read as follows:

1. As an article of manufacture, the combination comprising:
 - a) a transparent body; and
 - b) a multiplicity of separately encapsulated droplets of a crystalline liquid encapsulated in turn within said transparent body, said droplets of separately encapsulated crystalline liquid iridescent when subjected to varying temperatures to display through said transparent body varying colors correlated to said varying temperatures.

As previously pointed out, this broad *two element* claim was intended to and did generically cover, without limitation, all of the constructions disclosed in the specification but without any reference to sealing means (*supra* 12-17).

Application Claim 6, (A. Vol. II, Pls' Ex. 2, p. 30) which was in dependent form, read as follows:

The combination according to Claim 1, in which said transparent body is generally flat having a peripheral flange defining a recess within said body, said multiplicity of separately encapsulated droplets of crystalline liquid are deposited within said recess, and means are provided sealing said recess whereby said encap-

sulated droplets of crystalline liquid are sealed within the recess of said transparent body.

Claim 6, which included elements 1(a) and 1(b) of Claim 1 by specific reference and combined therewith *two* additional elements, directly issued, *without any further substantive limitation or amendment* as Claim 1 of the issued patent. The action taken with respect thereto during prosecution was as follows:

a) As correctly found below, application Claim 6 was initially rejected on Hodson patent 3,585,381³ (Finding 23b), (A. Vol. I, p. 32a).

b) The applicant replied to such rejection by the argument quoted in Finding 23c, (A. Vol. I, p. 32a). However, there is no estoppel limiting the scope of Claim 1 as issued since all this argument states is—

This claim clearly specifies that applicants transparent body is *provided with* a peripheral flange defining a recess . . .

Such argument clearly *does not state* that the peripheral flange is an *integral* part of a preformed body (i.e., the construction of Figure 2 and 3), but rather such considered wording *clearly encompasses both the preform construc-*

³ For a complete understanding of the proper scope of Claim 1, one need only examine the Hodson patent (A. Vol. II, Pls' Ex. 2A, pp. 69-75). It merely discloses a multilayer sheet material made up of an essentially transparent lamina, a layer of encapsulated liquid crystals and an opaque lamina. Such Hodson material is vulnerable and can be easily destroyed by ambient conditions such as water or excessive heat. The James patent structures were designed to protect the Hodson material or substantially similar material by using it in combination with a transparent stone or body, such as a ring structure whereby a recess is formed to surround and seal said material and prevent its deterioration by ambient conditions as demonstrated by aforescribed Figures 2, 3, or 4 structures.

tion of Figures 2 and 3 and the composite construction of Figure 4.

c) It was then immediately indicated that Claim 6 was allowable if "... rewritten in independent form so as not to *depend* from rejected claims" (Finding 23d), (A. Vol. I, pp. 32a and 33a).

d) While applicant complied with the Examiner's mandate to rewrite the claim in independent form by adding the terminology of application Claim 6 to the then existing application Claim 1 instead of rewriting Claim 6 in its entirety as a totally new claim, (or by adding the specifics of Claim 1 as the introduction to Claim 6), the result is the same—i.e., *the subject matter and express terminology of application Claim 6 as originally presented, was not limited, changed, or amended in any substantive way during the Patent Office prosecution and ultimately issued as Claim 1 of the patent. Nor was such claim the subject of any limiting admissions or assertions by the applicant.*

Therefore, Finding 24 is manifestly erroneous. As stated *supra*, with respect to the subject matter of application Claim 6 (i.e., Patent Claim 1), the rejection was overcome *solely by argument* and there was *no cancellation or amendment* or other action taken with respect thereto upon which estoppel can be founded. Since Finding 25 is derived from and dependent upon Finding 24, it is also erroneous. (A. Vol. I, pp. 33a-34a).

In light of the fact that no credible argument can be made that the applicant's file wrapper history limits the scope of Claim 1, it is submitted that the Doctrine of Equivalents with respect thereto is fully applicable.

The facts here presented are closely akin to those before the Court in *Tensitron Inc. v. Bromley*, 260 F. Supp.

457 (SDNY 1966), *aff'd*, *per curiam* 369 F.2d 699 (2d Cir. 1966) and wherein it was stated (p. 459):

That, [Ed. giving up certain claims] in the circumstances of Saxl's prosecution of his application, does not mean that Saxl's claims are blocked from all resort to the doctrine of equivalency. He certainly cannot claim what could only be reached by the claims he gave up. *He can claim what he was granted and its equivalents.* The doctrine of equivalents operates in terms of what is in the claim. Yet it would not exist as a doctrine if it did not extend the claim but only read it indulgently. *C. F. Keith v. Charles E. Hires Co.*, 2d Cir. 1940, 116 F.2d 46, 48.

* * *

... he cannot claim what he gave up—all modes of movement—but he can treat as an infringer anyone who uses that mode of movement which is—singularly, perhaps—genuinely an equivalent of his specific mode of movement.

While it is defendant's contention that the construction of plaintiffs' rings *literally infringe* Claim 1 of the James patent, the construction of said rings (as described *supra*, p. 12-17) are beyond doubt, the full equivalent of the structures i.e., 2, 3 and 4 embodied by Claim 1 as can easily be seen from an examination of defendant's Exs. A, C, E & F. (A. Vol. II, pp. 97-109).

C. Denial of Due Process

We live under a government of laws, not men. Our judicial system was founded and operates under the precept of an adversary system with the Court serving as an impartial non-participant who, after the parties have had a full opportunity to marshal and present the facts, resolves

the issues on the basis of the facts and contentions of the parties before him.

Such clearly was not the case here as evidenced by the chronology of the proceedings below (*supra* 3-6). Further, a gross negation of such fundamental precepts and the concomitant denial of defendant Carnegie's right of due process, commenced with the Court's ukase, on the day following service of the Complaint, that summary judgment would not stand up on appeal; was compounded by such expedition of the proceedings that a trial was had and a decision rendered on the crucial issue of infringement: a) in the absence of service of process on the patentee-patent owner James and b) prior to expiration of defendant Carnegie's time to answer the Complaint.

By way of example, such precipitous action on the part of the Court effectively denied defendant Carnegie, *inter alia*, the right to:

1. Raise and litigate the basic jurisdictional question;
2. Pursue discovery as to the details of plaintiffs' assembly practices, the nature and quantities of the constituent materials employed and the purposes and functions served by the elements of the resultant structures;
3. Adequately prepare a case of infringement;
4. Explore the practical aspects of the Hodson patent disclosure to demonstrate the absence of limiting prior art insofar as the scope of Claim 1 was concerned.

Whether the Court's actions herein were due to an inadvertent reversion to the thought processes of a patent litigator or to an overriding indignation flowing from an

uncritical acceptance of the allegations of a "verified" Complaint, is immaterial. The fact is that the Court initially directed a course of action to be followed by plaintiffs against defendant; thereafter actually participated in the pursuit of that course of action; and ultimately participated, following plaintiffs' suggestions, in the relief to be afforded against the defendant. These actions put the Court in a participant position in these proceedings to the prejudice of defendant Carnegie and in a clear denial of Carnegie's rights to due process.

CONCLUSION

There is no doctrine of judicial infallibility. The mere possession of experience in a specialized field of law by a judge, and possible indignation resulting from an uncritical acceptance of the allegations of a "verified" Complaint, does not sanction a Court's personal participation in a proceeding nor roughshod denial of due process. No matter how well intentioned were the actions of the District Court, it deprived defendant of adequate opportunity to present its case free from judicial preconception and as a result, in addition to erring on the merits and wrongfully assuming jurisdiction, the Court denied defendant elemental due process of law.

NIMS, HOWES, COLLISON & ISNER
Attorneys for Defendant-Appellant
60 East 42nd Street
New York, N.Y. 10617

FROM WOMEN'S WEAR DAILY, FRIDAY, OCTOBER 31, 1975

IMPORTANT NOTICE**To All Jewelry Buyers**

***New York Federal Court declares that Color-Change Rings being sold by Capri Jewelry and Tancer & Two Do Not Infringe patent licensed to Hattie Carnegie Jewelry!**

Hattie Carnegie's WWD announcement on September 19, 1975 that "Immediate, severe legal action will be taken against any retailer, wholesaler or manufacturer who may infringe on this federal patent...." for color-change rings does not apply to Capri Jewelry and Tancer & Two. We commenced litigation on October 8, 1975 against Hattie Carnegie to obtain Court declaration that our rings do not infringe U.S. Patent No. 3,802,945 in the name of Bill G. James and licensed to Hattie Carnegie. On October 23, 1975, the Court conducted a limited trial whereby Tancer & Two proved THE PERSONALITY RING (sold by Tancer & Two) does not infringe AND Capri Jewelry proved that the TATTLETALE RING does not infringe. Prior to this trial, Hattie Carnegie conceded that Capri's CAPRICIOUS RING also does not infringe. On October 28, 1975, the Court rendered its decision on non-infringement in favor of Tancer & Two and Capri Jewelry!

Thanks to the Federal Court's prompt handling of this case, ALL RETAILERS are hereby notified that THE PERSONALITY RING from Tancer & Two and the CAPRICIOUS and TATTLETALE RINGS from Capri Jewelry are free from any and all legal threats of infringement by Hattie Carnegie.

We have further instructed our attorneys to continue this litigation and press forward with our charges that Hattie Carnegie Jewelry is guilty of false patent markings and unfair competition!

Richard H. Restler
Vice-President
Capri Jewelry Incorporated
(212) 947-5280

Michael Tancer
President
Tancer & Two, Inc.
(212) 239-4490

Copy available upon request.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

- - - - - x

CAPRI JEWELRY INCORPORATED and
TANCER & TWO, INC.,

Plaintiffs-Appellees,

v.

HATTIE CARNEGIE JEWELRY ENTERPRISES, INC.,

Defendant-Appellant,

and

BILL G. JAMES,

Defendant.

- - - - - x

STATE OF NEW YORK)

: ss.:

COUNTY OF NEW YORK)

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: AFFIDAVIT OF SERVICE

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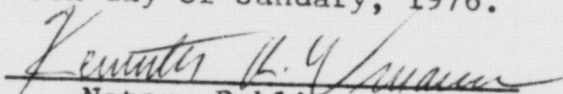
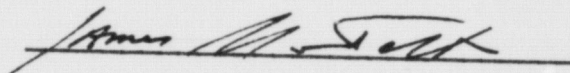
Docket No. 75-7604

James Montalto, being duly sworn, deposes and says:

1. That he is not a party to the action, is over 18 years of age, and resides at 152 East 35th Street, New York, New York.

2. That on January 13, 1976, deponent served the attached Brief and Appendix upon Amster & Rothstein, attorneys for plaintiffs-appellees in this action, at 50 East 42nd Street, New York, New York, by delivering two true copies of said Brief and one copy of each volume of said Appendix thereof by hand delivering same to an associate, Anthony LoCicero, of plaintiffs-appellees' attorneys Amster & Rothstein.

Sworn to before me this
13th day of January, 1976.



Notary Public

KENNETH R. UMANS

Notary Public, State of New York

No. 31-4053204

Qualified in New York County

Commission Expires March 30, 1977